

**KENTUCKY STRATEGIC PLAN
FOR ECONOMIC DEVELOPMENT
2002 – 2006**

**Revised
November 1, 2003**

KENTUCKY ECONOMIC DEVELOPMENT PARTNERSHIP

**Governor Paul E. Patton
Chairman**

KENTUCKY CABINET FOR ECONOMIC DEVELOPMENT

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I. Introduction

In 1992, the Kentucky General Assembly enacted HB 89, which created the Kentucky Economic Development Partnership Board to direct the state's economic development efforts. The Partnership is composed of thirteen members. Eight private sector members represent each of the state's congressional districts and different sectors of its economy. The secretaries of four Cabinets – Economic Development, Finance and Administration, Natural Resources and Environmental Protection, and Tourism – serve as public sector, ex-officio members. The Governor serves as chairman of the Partnership.

The Partnership initiated a strategic planning process to generate a dynamic plan of action to foster and focus Kentucky's economic development efforts. With the input and participation of hundreds of Kentuckians from varying parts of the state and its economy, the Commonwealth's economic development mission, values and broad goals were developed into a specific strategic plan.

The result was the Kentucky Strategic Plan for Economic Development first adopted in May 1994, with the mission, "To create more and higher quality opportunities for all Kentuckians by building an expanding sustainable economy." Teams involving Kentuckians from all geographic, demographic, and economic backgrounds were assembled to work on the plan. A revised Strategic Plan adopted in July 1997 reflected over 20 completed tactics and the need to consolidate efforts.

With the emergence of the knowledge-based economy, increased global competition, and challenges both new and old for Kentucky, the Board completely updated the original Strategic Plan for 2002-2006. The updated Strategic Plan considered broad goals and strategic initiatives outlined by Governor Paul E. Patton. The Partnership Board retained Paul Coomes, Ph.D., Professor of Economics, and National City Research Fellow, at the University of Louisville, and Michael Price, Kentucky State Demographer, of the University of Louisville to prepare a report on "The Recent Economic Performance of Regions in Kentucky." The report found that Kentucky's job growth has been strong, but earnings per job lagged behind the national average. The report cited low educational attainment levels as one of the "Causes of Differential Regional Economic Growth".

The current Kentucky Strategic Plan for Economic Development was revised with input from staff and after reviewing the FY 2003 Strategic Plan progress reports. The revised November 1, 2003 Kentucky Strategic Plan for Economic Development 2002-2006, was adopted by the Partnership at their October 22, 2003 Board meeting. The Cabinet's biennial budget for 2005-06 does not include expansion items or new programs. The Objectives listed in the Strategic Plan will either be accomplished with existing resources or plans will be made to increase Cabinet resources for submission with the biennial budget in 2007-08. Strategic Plan Objectives 2.1, 2.4, 3.4, 3.5, and 4.4 all support the 6-Year Capital Plan, which includes a request for additional funds for three major component areas – the Kentucky Economic Development Finance Authority (KEDFA) loan program, the Economic Development Bond Program (EDB), and the Office for the New Economy (ONE).

II. Accomplishments

The revised Kentucky Strategic Plan for Economic Development 2002-2006 takes into consideration several accomplishments over the last two years, including the milestones reached with the below Objectives from the Strategic Plan adopted in December 2001.

2002 Accomplishments

Objective 1.2 Create and maintain a thriving entrepreneurial climate supported by programs that inspire and facilitate the commercialization of ideas

The Office for the New Economy created the Innovation and Commercialization Center (ICC) program as public/private partnerships with six locations to assist entrepreneurs and scientists in commercializing technologies that demonstrate significant market potential. Commonwealth Seed Capital, LLC was formed to provide early stage investment funds to help Kentucky start-up companies capitalize on the most promising technologies through statewide and regional venture capital funds.

Objective 2.1 Recommend restructuring changes to the Kentucky Investment Fund Act to encourage increased private investment in venture and seed capital financing programs

Changes to KIFA were adopted by the 2002 General Assembly in HB 525 to encourage Venture Capital investing in the Commonwealth. Applications and procedures were created or amended for the approval of fund managers and investors. Daily operations and marketing of the fund were transferred to the Office of the New Economy.

Objective 2.2. Review the Kentucky Equal Opportunity Zone and the Enterprise Zone programs for possible restructuring

HCR 13 passed by the 2002 General Assembly required the Interim Joint Committee on Appropriations and Revenue to conduct a study of the effectiveness and efficiency of the Kentucky Enterprise Zone Program, which was completed in the fall of 2002. On-going agency activity is focused on alternative programs to substitute for the Enterprise Zone program.

Objective 2.4 Revise incentive programs to encourage increased wage levels across the Commonwealth considering the economic conditions in each county

HB 372 was adopted by the 2002 General Assembly and tax incentive program changes have been implemented requiring minimum wage and employee benefit criteria for companies participating in Kentucky's tax incentive programs.

Objective 2.5 Cooperate in the implementation of the Tax Increment Financing programs

HB 372 passed the 2002 General Assembly providing administrative procedures for two types of state TIF programs. Application forms are complete and available to potential applicants.

Objective 3.1 Increase the number of Kentucky companies expanding into global markets

Business clients have been recruited and prepared for trade shows in Mexico and South America. New resources are being developed to increase the number of export companies, including PowerPoint presentations and hand-outs to assist in export-related issues such as EC Marks, freight forwarding, banking, legal, trade show participation, and NAFTA. The Cabinet is working with bankers, freight forwarders, attorneys, and other trade agencies to do export seminars and provide extra marketing assistance.

Objective 3.2 Create an integrated web site based marketing program for Cabinet program areas

The Cabinet's web site design is now integrated with a consistent theme, look and message as the Cabinet's print and other marketing materials.

Objective 3.3 Continue enhancement of Kentucky Economic Development Information System by developing Cabinetwide systems that improve efficiency, eliminate redundancy, improve management capacity, and enhance marketing message

The EDIS web site underwent a major revision in look and feel. The online databases were migrated from Access to SQL Server.

Objective 4.4 Improve electronic means of communicating and transacting with clients and local economic developers

The Cabinet now publishes a quarterly e-newsletter. Business and industry directories available on Cabinet web site. New & expanded industry and foreign investment reports available on Cabinet web site.

2003 Accomplishments

Objective 3.7 Evaluate adding foreign language versions of the Cabinet's website

A welcome page was added for foreign visitors to the Cabinet's web site. The welcome for foreign visitors can be accessed from the home page of the web site.

Objective 4.1. Review multi-county strategic planning for economic development, including those for metropolitan areas which cross state borders, to determine appropriate state participation in the implementation and promotion of regional efforts

Copies of nine multi-county strategic plans currently in use were identified and obtained. Most of the multi-county strategic planning efforts generally lack a comprehensive approach and long-term commitment by participating communities. Additional Cabinet efforts are being pursued to develop a more active practice of strategic planning, with the promotion of examples of multi-county cooperation via workshops and a "best practice" publication.

Objective 4.2. Actively support communities in preparing and implementing comprehensive local and multi-county economic development plans

Copies of 48 various plan documents were obtained and reviewed with regard to content, process and cost of development, ease of implementation, and overall effectiveness. Information from these plans was used in the updating and reformatting of the Economic Development Cabinet's "Community Inventory Questionnaire: Necessary Data for the Local Developer." The improved document will serve as a basis for promoting strategic plan development at the local level. Initial design work has also begun on a handbook to assist communities in the preparation of a strategic plan for economic development. A volunteer community has been identified for a program test, and facilitator training scheduled through a utility partner.

Objective 4.6 Create web-based resource directory for entrepreneurs and business owners to access technical assistance resources available throughout the Commonwealth

The resource directory identifies assistance programs at the state and federal level. Entrepreneurs and business owners can access the resource directory from the Cabinet's web site.

III. Statement of Alignment

The current Kentucky Strategic Plan for Economic Development 2002-2006 fully considers the strategic initiatives of Governor Paul E. Patton. The 20-year vision adopted by the Kentucky Economic Development Partnership is to “Achieve an economic standard of living for Kentucky above the national average by 2020.” The vision is reflective of Governor Patton’s overall goal to “Set Kentucky on the path to achieving economic opportunity and a standard of living above the national average in 20 years.” The Governor’s strategies that are supported in the Kentucky Strategic Plan for Economic Development are as follows:

Promoting Economic Development

The entire Kentucky Strategic Plan for Economic Development is supportive of the Governor’s strategy of “Promoting Economic Development” by its very nature.

Supportive Objectives: All Objectives under Goals 2, 3 and 4 of the current Strategic Plan support the Governor’s goal of promoting economic development. Goal 1 is geared more towards internal agency improvements.

Improving Education Product

Improving Kentucky’s educational product is extremely important to making economic progress. The Kentucky Strategic Plan for Economic Development recognizes that without improvement in the educational attainment levels of our citizens, other efforts at economic development will fail.

Supportive Objectives: Objectives 2.2, 3.3, 3.6, 4.3, and 4.5 all support education or workforce training initiatives to improve Kentucky’s future workforce or to improve the livery of workforce training programs and services to industry.

Building Self-Sustaining Families

Providing jobs and opportunities for all Kentuckians is part of the mission of the Kentucky Strategic Plan for Economic Development. Economic opportunity and better jobs translate to the building of self-sustaining families.

Supportive Objectives: Objectives 2.3, 2.6, 3.3, 4.1, 4.2 support the building of self-sustaining families by enhancing programs to create better job opportunities, focusing on educational attainment levels, or promoting economic development planning efforts designed to improve a community’s quality of life.

Strengthening Efficiency and Operations of Government

Several Objectives in the Kentucky Strategic Plan for Economic Development are designed to create efficiencies for agency operations. The Cabinet for Economic Development has been

leading efficiency efforts with automated training grant applications, web-searchable site and building databases, web access to community and demographic information, most publications available online and GIS capabilities.

Supportive Objectives: All Objectives under Goal 1 are designed to increase the efficiency of government operations, specifically within the Cabinet for Economic Development. Objectives 2.3 and 3.2 also work to improve Cabinet operations, while Objectives 3.6, 4.3, and 4.5 seek to improve government operations extending to other state agencies.

Reducing Crime and its Costs to Society

A major benefit of an improved economy and better job opportunities is a reduction in crime. Those making a satisfactory wage leading to a comfortable living condition are less likely to turn to crime to provide for themselves and their families.

Supportive Objective: Objectives 4.1 and 4.2 emphasize community improvement through comprehensive planning that could impact crime by helping communities identify economic opportunities.

Improving Quality of Life

Quality of life issues are increasingly important to economic development efforts, especially those associated with new economy opportunities. Companies need to locate, expand, and startup in areas where they can attract the best possible workforce. The best workforce locates in areas that offer the best quality of life.

Supportive Objectives: Objectives 2.5, 3.3, 4.1, and 4.2 all deal with issues that affect the quality of life in Kentucky communities through concerns such as the environment, education, and economic development planning.

IV. Values, Vision, and Mission

The “visioning” process that the Economic Development Partnership Board undertook at the beginning of the planning effort in 1992, produced a set of five core values, a mission, and five goals for Kentucky. During the 2001 updating process, the values, mission and goals were reviewed, and a vision statement adopted. Board also adopted new and revised objectives. The 2003 revisions left the values, vision, and mission unchanged.

Values: The five overriding values adopted by the Partnership are:

- 1. Openness and honesty**
- 2. Respect for people as individuals**
- 3. Being results oriented**
- 4. Innovation and risk**
- 5. A commitment to being the best**

Vision: Vision describes the Board’s aspirations and ideal future economic condition for the Commonwealth. The vision links with the Governor’s goal in his strategic initiative.

Achieve an economic standard of living for Kentucky above the national average by 2020

Mission: The mission statement reflects the broad perspective of the Board and is the fundamental purpose of the Kentucky Economic Development Partnership Board.

To Create More and Higher Quality Opportunities by Building an Expanding Sustainable Economy To Improve The Quality of Life For All Kentuckians

V. Goals, Objectives, and Performance Indicators

Goal 1: Manage Cabinet Resources More Efficiently and Effectively

- Objective 1.1** **Evaluate and recommend changes to the state personnel classifications as they apply to Cabinet positions to promote formal career paths**
- Performance Indicator 1.1.1:** Recommendations prepared by July 2005.
- Objective 1.2** **Create industrial development project tracking system that is integrated with the Kentucky Business and Industry Information System (KBIS)**
- Performance Indicator 1.2.1:** Tracking system implemented by December 2004.
- Objective 1.3** **Seek legislation to move the craft marketing loan program to the Education, Arts & Humanities Cabinet**
- Performance Indicator 1.3.1:** Draft legislation prepared by the 2004 General Session.
- Objective 1.4** **Identify professional development opportunities for Cabinet employees, including formal, on-the-job and cross-department assignments**
- Performance Indicator 1.4.1:** Professional development opportunities identified by October 2004.
- Objective 1.5** **Review personal service contracts for banking and legal services to identify possible cost saving opportunities**
- Performance Indicator 1.5.1:** Review completed by August 2004.
- Objective 1.6** **Develop system to automate application process for Department of Financial Incentive programs**
- Performance Indicator 1.6.1:** System developed by March 2005.
- Objective 1.7** **Review guidelines for Department of Financial Incentive programs**
- Performance Indicator 1.7.1:** Review completed by September 2004.
- Objective 1.8** **Fully integrate the LGEDF and New Economy programs with other Cabinet administered programs**

Performance Indicator 1.8.1: Programs fully integrated by September 2005.

Goal 2: Reduce Unemployment and Increase Per Capita Income

Objective 2.1 Evaluate the feasibility and benefits of developing a tax incentive or lending program directed at small business

Performance Indicator 2.1.1: Evaluation completed by January 2005.

Objective 2.2 Increase grant funding to expand industry specific training activities across the Commonwealth, with priority consideration for increasing earnings per job for current and prospective employees of new, expanding, or existing companies

Performance Indicator 2.2.1: Funds budgeted by the 2005-06 budget.

Objective 2.3 Review tax incentive programs for enhancement opportunities and develop legislative recommendations for streamlining, modifying and modernizing programs

Performance Indicator 2.3.1: Recommendations to the 2005 General Assembly.

Objective 2.4 Review existing direct loan and grant programs and recommend legislative or policy changes for program enhancement

Performance Indicator 2.4.1: Recommendations to the 2005 General Assembly.

Objective 2.5 Work with the Natural Resources and Environmental Protection Cabinet to implement the voluntary environmental remediation program

Performance Indicator 2.5.1: Implementation strategy recommendations prepared by June 2005.

Objective 2.6 Create interactive database to promote sales between Kentucky companies similar to KPAP efforts for sales by Kentucky companies to government purchasers.

Performance Indicator 2.6.1: Database developed by March 2005.

Goal 3: Create a Globally Competitive Business Environment

Objective 3.1 Analyze recent trade patterns by industry and market to identify and prioritize new initiatives to promote export sales growth

Performance Indicator 3.1.1: Trade pattern analysis and recommendations for new initiatives completed by January 2005.

Objective 3.2 Enhance Kentucky Economic Development Information System by developing web search capability by geographic location and drive time

Performance Indicator 3.2.1: New web search capability implemented by October 2004.

Objective 3.3 Support the implementation of a menu of tests from which high school seniors must choose one to take before graduation and high school dropouts must choose one to take before receiving a driver's license

Performance Indicator 3.3.1: Implementation of testing process by May 2006.

Objective 3.4 Create bonding authority to build infrastructure to support and sustain business investment in Kentucky communities

Performance Indicator 3.4.1: Infrastructure bonding authority introduced to 2004 General Assembly.

Objective 3.5 Support initiatives of the Kentucky Innovation Commission and the Strategic Plan for the New Economy

Performance Indicator 3.5.1: Number of Cabinet projects or initiatives supporting Kentucky Innovation Commission and the Strategic Plan for the New Economy.

Objective 3.6 Coordinate the Strategic Planning Efforts of Kentucky State Agencies into the Implementation of the Kentucky Strategic Plan for Economic Development

Performance Indicator 3.6.1: Number of projects, action plans, teams, or initiatives jointly implemented with other state agencies.

Goal 4: Manage Resources to Maximize Return on Investment

Objective 4.1 Implement program to facilitate the work of community-based economic development agencies for local and regional strategic planning to promote business investment and job growth

Performance Indicator 4.1.1: Program operational by March 2004.

Objective 4.2 Promote "best practices" models of multi-county economic development cooperation in workshops, educational programs and publications

Performance Indicator 4.2.1: Program to promote “best practices” models implemented by November 2004.

Objective 4.3 **Continue to support the development of a web-based training information and employment services clearinghouse to provide current information on training providers and employment services, employment opportunities, and a skilled labor bank of prospective employees**

Performance Indicator 4.3.1: Clearinghouse established by August 2004.

Objective 4.4 **Analyze availability of micro-loan programs and regional revolving loan funds (RLF) and create plan to leverage small business support resources to extend micro-loan and regional RLF assistance to Kentucky start-up companies**

Performance Indicator 4.4.1: Plan created by January 2005.

Objective 4.5 **Review economic development training programs and recommend legislative or policy changes to enhance service delivery**

Performance Indicator 4.5.1: Recommendations by October 2004.

Objective 4.6 **Develop ongoing system for evaluation of the Cabinet’s financial and technical assistance programs, and the design of program changes to improve regional impacts on the nine regions of Kentucky identified in the report “The Recent Economic Performance of Regions in Kentucky”**

Performance Indicator 4.6.1: New system of evaluation developed by December 2004.

Objective 4.7 **Recommend legislation requiring LGEDF counties to have updated economic development plans**

Performance Indicator 4.7.1: Recommendations to the 2005 General Assembly.

Objective 4.8 **Recommend legislation requiring LGEDF funded regional business parks have updated economic development plans**

Performance Indicator 4.7.1: Recommendations to the 2005 General Assembly.

VI. Benchmarks

The Kentucky Legislature established in HB 89 the requirement that the Kentucky Economic Development Partnership, establish objective benchmarks to measure the performance of Kentucky's economy and progress toward achievement of the mission statement, goals, and guiding principles from the *Kentucky Strategic Plan for Economic Development*. (KRS 154.10-140) Benchmarks provide measurable indicators on whether Kentucky is keeping pace or falling behind compared to competitor states and the nation and provide an important accountability measure for spending taxpayer dollars on economic development efforts. Six benchmarks were chosen by the Partnership reflecting Kentucky's lower cost of living compared to the nation. Kentucky's cost of living for 2000 is estimated to be 91.0% of the United States Average (46th lowest in the United States including the District of Columbia). *

Kentucky Strategic Plan for Economic Development Benchmarks

	Gross State Product Per Capita (Current \$)	Personal Income Per Capita	Average Wage Per Job	Research and Development Expenditures Per Capita	Poverty Rate	Unemployment Rate
United States	\$ 35,529	\$ 30,832	\$ 35,550	\$ 814	12.4%	5.8%
Kentucky	\$ 29,558	\$ 25,657	\$ 29,256	\$ 214	15.8%	5.6%
Kentucky's Rank	42	40	36	43	44	29
US – Kentucky	\$(5,972)	\$(5,175)	\$(6,294)	\$(600)	3.4%	0.2%
Kentucky as a % of USA	2001	2002	2001	2000	1999	2002
	83.2%	83.2%	82.3%	26.3%	127.4%	96.6%
Kentucky's Targeted Benchmarks as a Percentage of the United States						
2007	86.0%	83.0%	84.0%	35.0%	115.0%	101.0%
2012	88.0%	85.0%	86.0%	55.0%	110.0%	100.0%
2017	90.0%	88.0%	88.0%	75.0%	105.0%	98.0%
2022	92.0%	92.0%	92.0%	92.0%	100.0%	95.0%

Sources: Data derived from information provided by the United States Bureau of Economic Analysis, United States Census Bureau, United States Department of Labor, and the National Science Foundation.

* 2000 COL index calculated by the *American Federation of Teachers*. For details, see F. Howard Nelson, "An Interstate Cost-of-Living Index," Educational Evaluation and Policy Analysis, Spring 1991, Vol. 13, pp 103-111. <http://www.aft.org/research/reports/col/colpape3.htm>. Alaska and Washington, D.C. cost-of-living data are from American Chamber of Commerce Researchers Association (ACCRA).